

SEMINOLE COUNTY GOVERNMENT AGENDA MEMORANDUM

SUBJECT: Administrative Code Amendment Section 22.5 Financial Policies: Budget Execution and Amendment

DEPARTMENT: Fiscal Services

DIVISION: Administration - Fiscal Services

AUTHORIZED BY: Lisa Spriggs

CONTACT: Lisa Spriggs

EXT: 7172

MOTION/RECOMMENDATION:

Approve resolution amending the County's Administrative Code Section 22.5, Financial Policies to revise existing policies addressing Budget Execution and Amendment.

County-wide

Lisa Spriggs

BACKGROUND:

The proposed Budget Execution and Amendment policy provides budgetary guidelines covering amendments to meet ongoing operational needs within the framework of applicable Florida Statutes and local requirements. The policy is designed to provide a sound framework of internal controls that provide an efficient and effective means to achieve management objectives and to meet management responsibilities. Since the detailed budget is a plan based on a set of assumptions that may not always match actual experiences during the execution phase; the policy allows for flexibility to meet the changing needs of department operations to facilitate uninterrupted service delivery throughout the year. Additionally, the policy formalizes the level of budgetary control and provides for the administrative realignment of funds to best accommodate unanticipated needs without negatively impacting service to the public.

STAFF RECOMMENDATION:

Approve resolution amending the County's Administrative Code Section 22.5, Financial Policies to revise existing policies addressing Budget Execution and Amendment.

ATTACHMENTS:

1. Resolution
2. Administrative Code Section 22.5 Revised Section I Budget Execution and Amendment Policy

Additionally Reviewed By:

☒ County Attorney Review (Arnold Schneider)

RESOLUTION NO. 2007-R-_____

SEMINOLE COUNTY, FLORIDA

THE FOLLOWING RESOLUTION WAS ADOPTED BY THE
BOARD OF COUNTY COMMISSIONERS OF SEMINOLE
COUNTY, FLORIDA, AT THEIR REGULARLY SCHEDULED
MEETING ON THE _____ DAY OF _____, 2007.

WHEREAS, Seminole County Ordinance No. 89-28 created the
Seminole County Administrative Code; and

WHEREAS, Seminole County Resolution Numbers 89-R-438 and 05-
R-151 adopted the Seminole County Administrative Code; and

WHEREAS, the Seminole County Administrative Code needs to be
amended from time to time to reflect changes in the administration
of County government, and

WHEREAS, the Board of County Commissioners desires to improve
clarity in the Budget Execution and Amendment portion of the
Financial Policies in the Administrative Code,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY
COMMISSIONERS OF SEMINOLE COUNTY, FLORIDA THAT,

The Seminole County Administrative Code is hereby
amended by revisions, deletions and additions in Section 22.5,
Subsection I, "Financial Policies", as set forth in the version
attached to this Resolution and incorporated herein by reference.

ADOPTED this _____ day of _____, 2007.

ATTEST:

BOARD OF COUNTY COMMISSIONERS
SEMINOLE COUNTY, FLORIDA

MARYANNE MORSE
Clerk to the Board of
County Commissioners of
Seminole County, Florida.

By: _____
CARLTON HENLEY, Chairman

Date: _____

Attachment
Section 22.5 "Financial Policies"

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SECTION 22. FISCAL SERVICES.

22.5 FINANCIAL POLICIES.

A. PURPOSE. The Financial Policies were established to facilitate management actions on financial decisions, as well as to assist readers in understanding County finances. These policy statements apply to County funds in general. Federal, State and local laws, regulations and standards and specific financial policies may supersede these statements. The benefits derived from consolidated financial policies include:

(1) The availability of a concise reference guide for consideration in decisions associated with County financial matters.

(2) Re-direction of the financial focus to the over-all financial condition of the County rather than to a narrow focus on single issues.

(3) Communication of a commitment to sound financial management and fiscal integrity, and strengthening credibility and confidence aspects for citizens, investors and rating agencies.

(4) Demonstration of compliance with applicable Florida statutory requirements.

The Financial Policies are grouped into the following categories:

- Budget
- Revenue
- Expenditure
- Reserves
- Debt
- Capital Improvement
- Capitalization
- Intradepartmental Transfers
- Fund Balances

B. BUDGET.

(1) **Balanced Budget.** The County's annual budget shall be balanced; that is, total estimated receipts, including balances brought forward, shall equal total appropriations and reserves (Florida Statutes 129.01(2)(b)).

(2) **Budget Adoption.** The Board of County Commissioners shall adopt the County's annual budget at a fund level.

(3) Estimates of Receipts. Estimated receipts shall include 95% of all receipts reasonably anticipated from all sources, including taxes to be levied, and 100% of balance to be brought forward at the beginning of the fiscal year (Florida Statutes, 129.01(2)(b) and 200.065(2)(a)).

(4) Contingencies. A reserve for contingencies will be budgeted in operating and capital funds, amounts not to exceed 10% of the total budget, for reallocation by the Board of County Commissioners as needed to fund unforeseen needs during the budget year (Florida Statutes, 129.01(2)(c)(1)).

(5) Reserve for Cash Carry Forward. A reserve for cash forward will be budgeted in any fund which requires monies to be carried forward into the budget year to support operations until sufficient current revenues are received. This reserve will not exceed 20% of the budget (Florida Statutes, 129.01(2)(c)(2)).

(6) New Positions. Submission of partial year funding requests for new permanent full time positions is prohibited unless specifically authorized by the Board of County Commissioners as a special or emergency need.

(7) Emergency Budget.

(a) In order to be fiscally prepared for all emergencies (either economic, natural disaster, or act of war), a budgetary procedure shall be in place to deal with emergency situations.

(b) Upon adoption of the annual budget, all Directors, in cooperation with the Fiscal Services Department, shall develop a plan to decrease overall expenditures for that fiscal year by 5% not later than December 1.

(c) The Fiscal Services Department Director shall review items to be decreased for overall operational impact and legal authority.

(d) A summary report identifying emergency budget decreases shall be prepared by Fiscal Services outlining items and financial savings and submitted to the County Manager by January 1.

(e) The County Manager shall monitor economic trends.

(f) The County Manager shall monitor the emergency situation and provide the Board of County Commissioners (BCC) daily, weekly, or monthly updates, depending on the type of emergency, in order to provide the BCC with timely financial information.



(g) The County Manager shall report emergency situations to the BCC as soon as possible and all Department Directors notified as soon thereafter as possible.

(h) If an emergency budget is needed, based on the type or level of emergency, the County Manager shall notify the BCC of the impending emergency and request authorization to implement an emergency budget.

(j) The BCC shall authorize a change from emergency budget status to adopted budget status.

C. REVENUE.

(1) General Revenue.

(a) Generally, the County reviews estimated revenue and fee schedules as part of the budget process. Estimated revenue is conservatively projected (at 95% of estimate) for five (5) years and is updated annually. Proposed rate increases are based upon the following:

- (i) Fee policies applicable to each fund or activity;
- (ii) The related cost of the service provided;
- (iii) The impact of inflation in the provision of services;
- (iv) Equity of comparable fees.

(b) The revenue policy of Seminole County includes these informal policies, along with requirements for maintaining a diversified and stable revenue system to shelter the County from short-run fluctuations in any one revenue source.

(2) Revenue Summaries. As part of the annual budget process, a consolidated summary of revenue sources will be prepared and incorporated into the County's budget documents.

(3) Ad Valorem Taxes. The use of ad valorem tax revenues will be generally limited to the following funds:

- (a) General
- (b) Transportation Trust
- (c) Fire

- (d) Environmentally Sensitive Lands
- (e) Debt Service
- (f) Trails Construction Debt Service
- (g) Stormwater Management

(4) Gas Taxes. The use of gas tax revenues will be generally limited to the following funds:

- (a) Transportation Trust
- (b) Mass Transit
- (c) Local Option Gas Tax Refunding Bond Series 1993 Debt Service
- (d) Road Bonds Series 1992 A Debt Service
- (e) Road Bonds Series 1992 B Debt Service

(5) Sales Taxes. The use of state shared sales tax revenues will be generally limited to the following uses:

- (a) General
- (b) Capital Improvements
- (c) Debt Service
- (d) Infrastructure Improvement

(6) Impact Fees.

(a) Seminole County shall require development activity to pay fair share fees for new capital equipment and facilities or expansion of existing equipment and facilities. Fees shall not exceed a pro rata share of the reasonably anticipated costs of such improvements.

(b) Impact fees have been implemented for roads, libraries, fire/rescue, and water & sewer.

(7) Utility/Telecommunications Taxes. Utility and telecommunications taxes are levied on purchases of utilities and telecommunications services. It provides additional revenue necessary to maintain adopted levels of service for unincorporated

transportation facilities, Fire/Rescue, Stormwater, and Seminole Government Television.

(8) Tourist Development Tax. Use of tourist development tax revenues will be generally limited to the Tourism Development Fund and Tourist Development Tax Debt Service Fund.

(9) Grants. Only such grants as can reasonably be expected to be received will be considered as revenue sources for budget development purposes. The County shall amend its budget to reflect additional grants received during the budget year.

(10) Restricted Revenues – Bonds. Revenues which have been pledged to bondholders will be restricted and shall conform in every respect to bond covenants.

(11) Countywide Revenues. Revenues collected on a countywide basis will be allocated only to funds which provide Countywide services.

(12) User Fees. User fees, where appropriate, should be established to offset the cost of providing specific services, and will be reviewed annually.

(13) Private Contributions.

(a) The County provides many services to its residents that enhance the "quality of life" in our County.

(b) To the extent possible, efforts should be made to secure private contributions, whether in the form of volunteer services, equipment, or cash contributions. This is particularly important in helping defray the taxpayer burden of providing programs and activities that may be considered primarily "quality of life" in nature, such as various community services, cultural and recreational activities.

D. EXPENDITURES

(1) Community Service Agencies.

(a) As part of its annual budget process, the County sets aside an amount of funding to be granted to various community agencies that provide valuable services to the County's residents.

(b) Because of increasing demands on the County's limited resources, the Board of County Commissioners determines a total maximum to be allocated. In the event that a grant recipient requests additional County funding, such a request will be considered independent of the allocation process.

(2) Grant Supported County Programs.

(a) Seminole County supports a variety of programs that depend on additional grants for partial funding. If reductions occur in such grant funding amounts, program service levels will be streamlined or reduced. Additional County support will not be provided to compensate for the reduction in outside funding.

(b) Full recovery of annual and sick leave for employees working under a grant shall be undertaken.

(3) Performance Measures.

(a) The County will develop "performance measures" for each of its departments in order to assure that maximum productivity is being achieved.

(b) Where performance measures demonstrate that activities could more cost-effectively be provided by outsiders, contracting out of such activities will be considered.

(c) Performance measures will also provide management with criteria to use in evaluating departmental requests for increased funding levels.

(4) Categorization of Services. The County will segregate its budget into two distinct categories in order to set priorities for allocating available money. Categories are as follows:

(a) Basic Services. Services that are best performed at the County level and are associated with protecting the health and safety of citizens. Legally mandated services or commitments are also included in this category. Budgetarily, funding represents maintaining current service levels.

(b) Service Enhancements. An improvement and/or enhancement to the programmatic service level.

E. RESERVES. A formally adopted reserve policy is an important factor in maintaining the fiscal health of Seminole County. There are three primary types of reserves:

- Fund Balances/Operating Reserves
- Capital Reserves
- Debt Reserves

The degree of need for these reserves differs based on type of fund or operation involved. However, one policy statement for each type of reserve can be uniformly applied to most funds (excluding enterprise funds, which are subject to various

regulatory requirements). Board approval is required to move funds from reserve accounts into expenditure line items.

(1) **Fund Balances/Operating Reserves.** It is the County's policy to establish and maintain target balance ranges for individual operating funds of the County to mitigate current or future financial risks, ensure stable tax rates and to facilitate responses to emergency situations. The County's Fund Balance Policy is detailed separately in Section 22.5 J. hereof.

(2) **Capital Reserves.** Capital reserves are established primarily to set aside funds to provide for additional future projects, renewal and replacement of fixed assets or additions to existing budgeted projects, which may be deemed appropriate for funding after the annual budget is adopted. Certain capital reserve account balances are established by bond indenture in connection with bond financed enterprise operations and capital financing.

(3) **Debt Reserves.**

(a) Debt reserves are established to protect bondholders from payment defaults. Adequate debt reserves are essential in maintaining good bond ratings and the marketability of bonds.

(b) The amount of debt reserves and investment requirements are established by bond indenture in association with each bond issuance.

F. DEBT. A formal debt policy is an important factor to insure the most efficient methods of financing are utilized by the county resulting in the lowest total cost of borrowing. It is the County's policy to use competitive bidding, whenever possible, for all debt issued by the County. The complexity of the debt issuance process varies depending on the type of financing requiring the County to employ qualified consultants (bond counsel, financial advisors, independent accountants, etc.) to assist the County in obtaining the most cost effective financing. County staff and consultants should adhere to the following guidelines in structuring each debt issuance.

(1) **Method of Financing.** The County will use a "pay as you go" policy unless internal funding is not sufficient to meet capital needs or future citizens will realize a significant portion of the benefit of a project.

(2) **Financing Parameters (Guidelines).**

(a) Projects will not be financed for greater than the useful life of the improvement.

(b) Whenever economically feasible, the County will use revenue, special assessment or other self-supporting bonds instead of general obligation bonds.

(c) The County will use the competitive method of sale unless one or more of the following conditions exists:

(i) Unstable market conditions which require flexibility in pricing or precise timing which would not be expected through a competitive sale.

(ii) Concerns regarding credit quality and availability of credit enhancements.

(iii) Security for repayment is new, unproven or may be perceived as unreliable by the market.

(iv) Innovative or unusual structuring techniques are required.

(v) Changes or anticipated changes in laws or regulations would make prompt sale of bonds desirable.

(d) Credit enhancement will be utilized when necessary to lower total borrowing costs.

(e) The County will competitively bid investment of escrow funds for advance refundings if it is expected that bids will result in lower costs and the required securities are available in the market.

(3) Debt Issuance Plans. The County will include debt issuance plans in its long-term capital plan.

G. CAPITAL IMPROVEMENT.

(1) Five-Year Program.

(a) The County will develop a five-year Capital Improvements Program as part of each year's annual budget process, and will make all capital improvements in accordance with the adopted annual County budget.

(b) The County will identify the estimated costs and potential funding sources for each capital project before it is submitted to the Board of County Commissioners as a component of the five-year program.

(2) Operating Costs. Costs of operating and maintaining all proposed projects will be identified and incorporated in five-year financial projections.

(3) Capital Financing. The County Manager will determine and recommend to the Board of County Commissioners the least costly financing method for all capital projects.

(4) Renewal and Replacement.

(a) The County shall develop and implement a program for identifying, scheduling and budgeting renewal and replacement of capital facilities.

(b) These policy statements apply to County funds in general. Federal, State and local laws, regulations and standards and specific financial policies may supersede these statements.

H. CAPITALIZATION. The reporting model (Government Account Standards Board Statement No. 34 (GASB 34)) is for both capitalization and depreciation of the government's general assets such as buildings, equipment, roads, bridges and traffic systems, etc.

(1) Depreciation Reporting

(a) Record depreciation of capital assets valuing \$5,000.00 or more. This will exclude recorded depreciation of assets less than \$5,000.00 of value. Items currently not depreciated at all would still be budgeted and accounted for as capital items. All capital equipment will continue to be inventoried even if an item's purchase cost was less than \$5,000.00.

(b) Use the "Modified Approach" for certain infrastructure reporting subject to staff evaluation. This approach eliminates the need to record depreciation expenses for certain types of infrastructure such as roads. County must demonstrate that the infrastructure asset has been maintained at or above a condition level established by government. County must disclose estimates of the amount needed to maintain or preserve the asset at the level established as well as the actual expense. Users of the financial statements should assess the government's long-term commitment to maintaining infrastructure assets.

I. INTRADEPARTMENTAL TRANSFERS. Simply provide a more efficient method of making intradepartmental adjustments within the County budget.

(1) Budget Officer Approval Authority.

(a) Authority through the Department of Fiscal Services (DFS) form for all account line budget changes within an approved project and within the same fund and department. Approval requires that there will be no change in total amount approved for the project, no change in scope of project and account lines be within one Capital Improvement Project (CIP) number. (Policy excludes Capital equipment.)



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(b) Authority through the DFS form for all account line budget changes up to \$50,000.00 within an approved "family" of projects. A family of projects is defined as a like set of sub-projects that have the same first four AS400 CIP numbers and an identifying suffix for the sub-projects. They may have a variety of J. D. Edwards CIP numbers (Policy excludes capital equipment.)

(c) Authority to approve intradepartmental budget transfers up to \$25,000.00 each and up to \$15,000.00 each when a capital account line is involved. The Director of Fiscal Services is authorized to approve intradepartmental transfers up to \$2,500 each, provided that the total department appropriations are not changed.

(i) Department shall mean the department identification as authorized in the State of Florida Uniform Accounting System.

(d) The Budget Officer and the Director of Fiscal Services shall each submit to the BCC, on a regular basis, a report detailing all intradepartmental transfers as authorized.

(2) Board Of County Commissioners. The BCC will approve all intradepartmental transfers from the various reserve accounts appropriated in the County's annual budget in compliance with the applicable provision of State and Federal law.

I. BUDGET EXECUTION AND AMENDMENT. The County budget process is complex, yet must be flexible enough to meet the changing needs of department operations to facilitate uninterrupted service delivery throughout the fiscal year. The purpose of this policy is to formalize the County's level of budgetary control, and to provide for the administrative realignment of funds to best accommodate unanticipated needs without negatively impacting service to the public. This policy provides budgetary guidelines, covering amendments to meet ongoing operational needs within the framework of applicable Florida Statutes and local requirements.

(1) Definitions.

(a) Budget Amendment - Modification of the originally adopted budget either through formal action of the Board or through delegated authority by the Board.

(b) Business Unit - A budgetary and financial system cost center internally established to monitor and track costs related to a specific program or service.

(c) Family of Projects - A group of child projects belonging to the same parent, where the child projects represent the established work program approved by the Board.

(d) Fund – Fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund level is used for Financial Statement Reporting purposes.

(e) Interfund Transfer – A transfer of financial resources from one fund to another fund as a form of subsidy, without a requirement for repayment. A non-exchange transaction that does not constitute revenue of the receiving fund or an expenditure of the paying fund.

(f) Internal Charges – An Object Classification established to provide for transfers required to facilitate proper accounting of direct and indirect internal service charges and fees across the agency.

(g) Intrafund Transfer – A transfer of financial resources between funds or subfunds which are aggregated into a single reporting unit for financial reporting purposes.

(h) Intra-departmental – A transfer of financial appropriations between divisions/business units within the same fund or sub-fund under the same department.

(i) Object Classification - Identifies the article purchased or the service obtained, rather than the purpose for which the article or service was purchased or obtained. Established by the State of Florida, Department of Financial Services' Uniform Account System are the following Object Classifications:

- (i) Personal Services
- (ii) Operating Expenditures/Expenses
- (iii) Internal Charges
- (iv) Capital Outlay
- (v) Debt Service
- (vi) Grants and Aids
- (vii) Other Uses

(i) Operations – Departmental budget appropriations, excluding project appropriations.

(k) Project – A budgetary and financial system identifier assigned internally to monitor and track costs associated with capital outlay and operating projects.

(l) Project Contingency – Appropriation of funds to a project for the purpose of covering additional appropriation requirements for approved capital outlay projects within a specific capital fund/sub-fund. Expenditures may not be charged directly to the contingency.

(m) Subfund – Subdivision of a fund on a budgetary and accounting basis, used to segregate specific funding for managerial and compliance tracking purposes. Combined to main Fund for Financial Statement Reporting purposes.

(n) Sub-Object Classification – Subdivision in an expenditure object classification as established by the State of Florida, Department of Financial Services' Uniform Account System (e.g., *professional services* is a sub-object classification within the *Operating Expenditures/Expenses* object classification.

(2) Level of Budgetary Control – The Board annually adopts the budget by resolution for all funds of the County, exclusive of some Agency Funds. Budgetary authority is legally maintained at the fund level; however, managerial controls are maintained at each level of appropriation.

(a) System Control - Encumbrances/expenditures are checked against budget at two levels:

(i) Operations Level – Encumbrances/expenditures are subject to budgetary control by Object Classification at the business unit level, excluding budgetary amounts tied to specific projects.

(1) Amendment to the budget is only necessary when expenditures are anticipated to exceed the total budget for the Object Classification Level within a business unit. Individual sub-object account lines may run negative as long as the total Object Classification Level budget is sufficient to cover expenditures.

(2) The County Manager or designee may, as deemed necessary from time to time, designate through written directive a specific sub-object(s) to be temporarily restricted.

(ii) Project Level - Encumbrances/expenditures are subject to budgetary control at the Project Level for the cumulative project budget across object classifications within a business unit, unless otherwise provided.

(1) Amendment to the budget is only necessary when expenditures are anticipated to exceed the total budget for the project within a business unit. Individual Project/sub-objects may run negative as long as the total project budget is sufficient to cover expenditures.

(2) When a "Family of Projects" is identified the combined total of the family is considered the Project Level. Consequently, individual (child) project budgets are combined for purposes of assessing budget control. Individual projects within the same Family may run negative as long as the total Family budget is sufficient to cover expenditures for all projects within the Family.

(b) Year-End

(i) Budgetary Control - To facilitate the timely payment and close-out of the County's financial records, budgetary check during the close-out period will be based on available budget balances based on actual expenditures (excluding encumbrances).

(ii) Encumbrance - As the County intends to honor all outstanding commitments related to projects that cross fiscal years, the balance of encumbrances related to project accounts will be reappropriated in the subsequent year's budget ensuring resources are available to honor these commitments.

(3) Approval Authority for Budget Amendment

(a) Board - Formal action of the Board is required to amend the original budget for recognition of the following:

(i) Unanticipated excess or deficiency in the amount of originally anticipated revenue.

(ii) Unanticipated revenue from an unanticipated source received for a particular purpose.

(iii) Increased receipts for proprietary funds received for a particular purpose.

(iv) Allocation from fund reserves to increase funding for an existing need or to create an appropriation for an additional need.

(v) Substitutions or purchases of capital equipment not anticipated within the adopted budget.



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(vi) Additions of permanent staffing positions.

(vii) Modification of intrafund or interfund transfers.

(viii) Transfer of appropriations that substantially alter or amend a Department's or Division's Board approved work plan.

(ix) Transfer of appropriations for expenditure from one department to another.

(x) All other amendments to the budget not specifically addressed in this policy.

(b) County Manager – The Board empowers the County Manager or designee, as designated Budget Officer, to authorize intra-departmental budget amendments for the following:

(i) Transfers of non-project appropriations within a fund or subfund and within a department or division that do not substantially alter or amend a Department's or Division's Board approved work plan.

(ii) Transfers of appropriations among subfunds/business units and object classifications established to facilitate compliance with a specific funding agreement.

(iii) Transfers among sub-objects within a project within a fund or subfund or among a Family of Projects, when deemed necessary as a management tool.

(iv) Transfers from Project Contingency to provide additional funds required for a deficient capital outlay project.

(v) Transfers to Project Contingency from a capital outlay project upon completion of the unexpended budget.

(vi) Transfers required for the sole purpose of proper accounting treatment of the item, which do not modify the original budgetary intent.

(4) Budget Override Authority – The County Manager or designee may authorize the Clerk of Circuit Court to process overrides on the following:

(a) On statutory and contractual payments when such processing is deemed in the best interest of the County.

(b) Necessitated from accounting corrective action when deemed necessary to facilitate uninterrupted service delivery by the County.

(5) Execution

(a) It is the responsibility of the Department of Fiscal Services, under the direction of the County Manager, to interpret and implement this policy.

(b) Reporting will be made to the Board on a regular basis of all budget amendments approved under the administrative authority granted.

(c) Department Directors are responsible for monitoring their operating and capital outlay budgets to ensure proper fiscal management within appropriated resources.

(d) The County Manager may require any item within the administrative authority granted to obtain specific approval from the Board.

J. FUND BALANCES.

To establish a target unreserved/undesignated fund balance level for individual operating funds of the County. This policy is intended to assist the County in maintaining an adequate level of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures), to ensure stable tax rates, and to respond to emergency situations. Adequate reserve levels are a necessary component of the County's overall financial management strategy; as well as a key factor in external agencies' measurement of the County's financial strength.

(1) Definitions.

(a) Fund Balance - fund balance means the difference between fund assets and fund liabilities. Fund balance is also referred to as net assets.

(b) Reserved Fund Balance - reserved fund balance is the portion of fund balance that is legally restricted and is not available for appropriation or expenditure.

(c) Unreserved Fund Balance - unreserved fund balance represents expendable available financial resources.

(d) Designated Fund Balance - designated fund balance is that portion of unreserved fund balance that reflects the County's self-imposed limitations on the use of otherwise available expendable financial resources.

(e) Undesignated Fund Balance - undesignated fund balance is that



portion of unreserved fund balance that represents available financial resources which have not been obligated to a specific purpose.

(2) Unreserved/undesignated Fund Balance Level

(a) Unreserved/undesignated fund balance ranges are established for individual County funds whose operating expenditures are for tax-supported services. The range set for each fund is based on the predictability of revenues, volatility of expenditures, and liquidity requirements. Established levels should be reviewed on an annual basis to ensure sufficiency.

(b) In calculating the ratio of the unreserved/undesignated fund balance to estimated operating revenues, the fund balance from the latest audited financial statements shall be compared with the budgetary operating expenditures for that fund in effect when the financial statements are released. In essence this will mean the current year budgeted operating revenues will be compared with the prior year's unreserved/undesignated fund balance.

(1) General Fund - the unreserved/undesignated fund balance level for the General Fund (inclusive of all budgetary sub-funds) shall be maintained in the range of 5% to 10% of general fund operating revenues.

(2) Transportation Trust - the unreserved/undesignated fund balance level for the Transportation Trust Fund shall be maintained in the range of 5% to 10% of operating revenues; unless when combined with the County's General Fund, the combined unreserved/undesignated fund balance is not less than 5% of the combined operating revenues.

(3) Fire Protection - the unreserved/undesignated fund balance level for the Fire Protection Fund shall be maintained in the range of 5% to 10% of operating revenues.

(3) Surplus.

(a) If a surplus (an amount in excess of the established minimum level) is determined, it can be designated or appropriated during the next budget amendment for the following purposes:

(1) To fund unforeseen expenditure requirements or offset unanticipated revenue fluctuations.

(2) Reduction or Avoidance of Debt - if financial analysis demonstrates an advantage for the County, the surplus may be applied to reduce or eliminate short-term debt or reduce the principal amount the County needs to obtain from a scheduled borrowing

(3) Tax, Fee, or Rate Stabilization - surplus funds may be designated for stabilization in order to avoid raising taxes, fees, or rates related to the fund in subsequent years.

(4) Applied to a Capital Replacement Program - surplus funds may be used to supplement or enhance a capital replacement program such as vehicle, personal computer, or heavy equipment replacement, or any other capital renewal and replacement program initiated by the County.

(5) One-time Capital Needs - since a surplus does not represent a recurring source of revenue it should not be seen as a source to fund recurring expenses; however, if a one-time capital expenditure has been identified, the surplus may be appropriated for this use. The operating impacts associated with the capital expenditure, if any, shall be evaluated simultaneously with the approval of the capital appropriation.

(4) Shortfall

(a) If a shortfall (an amount below the established minimum level) is determined, the unreserved/undesignated fund balance is to be rebuilt through the following mechanism.

(1) An appropriation during the next annual budget process of at least 20% of the established minimum level until it has been reached.

If this is financially infeasible,

(2) A written plan shall be forwarded by the County Manager to the Board of County Commissioners for approval in order to restore the unreserved/undesignated fund balance to the established minimum level within a time frame deemed reasonable and appropriate.

K. AUTHORITY.

Annual Budget Book
Capitalization Approved by BCC at their meeting of
December 11, 2001 Agenda Item 9 for Fiscal Services
Intradepartmental Transfers Resolution 2002-R-94
adopted May 28, 2002
Resolution 2006-R-219 adopted September 26, 2006